

**OBJECTIVE VII.** Determine whether or not the **BOCs** have discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards.

1. The procedures used by the SBC BOCs to identify, track, respond to, **and** take corrective action to competitors' complaints are documented in Objectives V and VI, Procedure 1.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards.

- Allegations of discriminatory provision or procurement of goods, services, facilities, or customer network services information (excludes CPNI) or the establishment of standards (***no complaints received***)

2. Obtained the SBC BOCs' written procurement procedures, practices, and policies for services and goods provided by each Section 272 affiliate. Noted upon inspection of the documentation obtained that no stated purchasing preferences were contained in the SBC BOCs' procedures. Noted per the documentation obtained that, in order to purchase goods or services from an affiliate, there are procedures the SBC BOCs must follow to comply with the Section 272 Requirements.

Noted that OP 6 – SBC Supplier Contracting is the SBC BOCs' primary guidance for procurement practices. The procurement process, including the bidding and vendor qualification/selection process, is performed by SBC Services, Inc. (an administrative affiliate) on behalf of all affiliated SBC entities, including the SBC BOCs. Section 4 of OP 6 details the supplier/contractor selection process. This section documents the dissemination process for requests for proposal ("RFPs") and the absence of purchasing preferences favoring the Section 272 affiliates.

Documented that the SBC BOCs' bidding process, the selection process, and how the SBC BOCs disseminate RFPs to affiliates and third parties are part of a six-step contracting process as follows:

- Step 1: Needs Assessment – initial identification of the needs, project scope, and the start of the documentation.

- Step 2: Supplier Search – identification of potential suppliers to meet client and company requirements.
- Step 3: Competitive Analysis – determination of quote methodology; competitive quote process or direct awards; and development of decision matrix to be used to evaluate responses.
- Step 4: Supplier Selection and Contract Negotiation – evaluation of supplier responses to RFPs, quotation and information, and negotiation of contracts.
- Step 5: Contract Approval and Documentation – documentation of all required contract documents and procedures required for contract approval including financial analysis summary, project scope documents, financial risk/dependency letter, legal approvals, and executed documents.
- Step 6: Contract Implementation and Administration – implementation and administration of the agreement upon execution by both parties.

**Also** noted that Section 10.502 of OP 6 includes a description of the requirements and restrictions applicable *to* transactions with the Section 272 affiliates as specified in Section 272 of the Act. As any procurement activity by an SBC BOC from a Section 272 affiliate would result in an affiliate transaction, OP 6 refers to OP 125 – “*Nontariffed Activities and affiliate Transactions*,” for complete instructions on affiliate transactions. SBC has established written controls to require any SBC BOC purchase from a Section 272 affiliate comply with Section 272, including the SBC BOCs’ nondiscriminatory procurement obligations. The internal control in place is that any nontariffed affiliate transaction must be approved by the Affiliate Oversight Group prior to the purchase; additionally, the approval process includes a review of the SBC BOCs’ nondiscrimination obligations.

- 3. SBC has represented that there were no SBC BOC procurement awards to Section 272 affiliates during the Engagement Period. In addition, inquired and SBC represented that there were no bids submitted by the Section 272 affiliates to the SBC BOCs during the Engagement Period.
- 4. Obtained a list of all goods, services, facilities, and customer network services information, excluding CPNI **as** defined in Section 222(f)(1) of the Act and exchange access services and facilities inspected in Objective IX, made available to each Section 272 affiliate by the SBC BOCs. SBC has represented that the only media used to inform unaffiliated entities of these services is the SBC Internet site, which contains a listing of services provided under tariff and affiliate agreements. Compared all services from the listings above to the SBC Internet site as of July 27, 2001. Based upon the comparison,

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Service	Purchased <b>by</b> <b>SBCS</b> from <b>SBC</b> <b>BOCs</b>	Purchased <b>by</b> <b>ACI</b> from <b>SBC</b> <b>BOCs</b>
Local Exchange Services	Yes	Yes
Billing & Collection Services (“B&C”)	Yes	Yes
Enhanced Care Services	Yes	No
Account Maintenance Services	Yes	Yes
Equal Access Consulting Services	Yes	No

Noted that SBCS purchased local exchange services from Pacific Bell and ACI purchased local exchange services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell. As approved by the Joint Oversight Team, requested March 2001 invoices for 18 unaffiliated carriers purchasing local exchange services from Pacific Bell and 10 unaffiliated carriers purchasing local exchange services from Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, or Wisconsin Bell.

Pacific Bell provided copies of Customer Service Records (“CSRs”) for seven billing account numbers (“BANs”) billed to SBCS as of March 2001 and 18BANs billed to nine unaffiliated carriers. Compared the rates, by Universal Service Order Code (“USOC”), charged to SBCS to those charged to the unaffiliated carriers. For all the USOCs billed to SBCS, noted 16 USOCs that were also billed to the unaffiliated carriers. Noted that of these 16 comparable USOCs, **13** of the rates agreed without exception and three contained differences which are included in Attachment A-5c. SBC represented that the terms and conditions associated with these billings were the same for SBCS and the unaffiliated carriers. Obtained documentation verifying SBCS’s payment to Pacific Bell and Pacific Bell’s receipt of payment for the seven SBCS BANs provided above.

For the local exchange services provided by Indiana Bell, Illinois Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell, SBC provided a file containing USOCs, billed units, and billed amounts for the month of March 2001 for ACI facilities in Rosemont, Illinois; Muncie, Indiana; and Brookfield, Wisconsin, and ten unaffiliated retail customers (SBC was unable to identify and provide unaffiliated carrier information). SBC represented that this file was extracted from the Ameritech Customer Information System (“ACIS”). SBC represented that ACIS does not designate customers as “retail carriers” or “retail non-carriers.” Sorted the information provided by USOC and class of service and compared the rates per USOC charged to ACI and the unaffiliated customers. Noted **no** comparable USOCs between the ACI location in Rosemont, Illinois, and the unaffiliated retail customers. Noted **30** comparable USOCs and classes of service between the ACI locations in Muncie and Brookfield and the unaffiliated retail customers. Noted that of these **30** comparable USOCs and classes of service, 24 compared to the rates charged to unaffiliated customers without exception and differences were noted in **six** USOC/class of service comparisons. Attachment A-5c lists the differences noted. SBC represented that tariff rates may vary depending on the term length selected by the customer. Obtained documentation verifying ACI’s payment to Illinois Bell, Indiana Bell, and Wisconsin Bell for the ACI BANs listed on the file above.

6. Documented that the SBC BOCs’ process for disseminating information pursuant to CC Docket No. 96-149, **First Report and Order**, Para. 16, about network changes, the establishment or adoption of new network standards, and the availability of new network services to each Section 272 affiliate and to unaffiliated entities is centralized with the SBC Network Services organization. The Network Services organization is made up of employees from SBC Management Services, Inc. Network Services maintains an internal

Intranet page that documents the business requirements, criteria, and process flows for disseminating network standards. SBC uses Internet postings and Accessible Letters to notify unaffiliated entities, including the Section 272 affiliates. SBC's procedures address dissemination of information to both the Section 272 affiliates and unaffiliated entities. The documentation supporting the SBC BOCs' process for notification of network changes contains no distinction between notification processes **for** Section 272 affiliates and unaffiliated entities.

Once a project plan is reviewed, a determination is made by Legal and Regulatory as to whether notice is required. If notice is required, the project is control numbered, then determined as either short-term or long-term. Then the notification document is prepared and the project is forwarded on to the Facility Equipment Engineer for preparation of the project package and to the Engineering Single Point of Contact ("SPOC"). The Engineering SPOC reviews the notification document for compliance and then forwards the notification document to the regulatory department. The regulatory department then files the notification document for all long-term projects with the FCC. The regulatory department informs all telephone exchange providers of short-term projects by mail, then files the notification document for short-term projects with the FCC after five days. These notices are posted on the SBC Internet site at <http://www.sbc.com/PublicAffairs>. This section is organized by SBC network disclosures, then by each SBC BOC.

7. Obtained and inspected scripts that SBC BOCs' customer service representatives recite to new customers calling to establish new local telephone service from the three randomly selected call centers in Objective VII, Procedure 8. The call centers selected were located in Lubbock, Texas; Houston, Texas; and Des Peres, Missouri. Per review of these scripts, noted that the scripts contained the following:
  - language that attempts to sell interLATA services;
  - language that informs the consumers that there are other providers of interLATA services; and
  - language offering to identify the other providers to the consumer if they are interested.

Noted per observation at the call centers that if a customer is interested in hearing the list of other providers, the call center representative clicks a button on the computer screen and a list of all the interLATA service providers is randomly generated and appears on the computer screen. SBC represented that the call center representatives are instructed to read the list of providers until the customer stops them. Further noted that because the list is randomly generated every time the customer requests this information, the providers are listed in different order so that all providers have the same chance of being read to customers first. Obtained this randomly generated listing from a call center representative and retained it in the workpapers.

Visited the Internet sites of the SBC BOCs, [www.swbell.com](http://www.swbell.com), [www.ameritech.com](http://www.ameritech.com), [www.uacbell.com](http://www.uacbell.com), [www.nevadabell.com](http://www.nevadabell.com), and [www.snet.com](http://www.snet.com), noting that the consumers are not informed on the Internet that there are other providers of interLATA services and, therefore, the other providers are not identified to the consumers. Further noted that only existing SBC BOC customers are able to order long-distance service over the Internet. Any new customers requesting service are instructed to call an SBC BOC representative for service. SBC represented that the equal access disclosure is then made over the telephone to the new customers. Obtained SBC representation stating, "the equal access obligation would not be required because such inbound ordering on the SBC Internet site of SBC long distance service is limited to existing customers." Verified this information per review of the Section 272 Requirements.

8. Observed five SBC BOC service representatives for one-half hour each, at each of the three call centers listed in Procedure 7 above. Noted the service representatives responding to inbound callers requesting to establish new local telephone service to whom the sales representatives attempted to market the Section 272 affiliates' interLATA service.

Of the calls monitored, noted 20 calls which related to establishing new local telephone service and in which the sales representative informed the customer of other providers of intraLATA and/or interLATA services and informed the customer of their right to make the selection. Of the 20 calls, noted two calls in which the sales representative attempted to market the Section 272 affiliates' interLATA service. In both calls, the marketing attempt was made after informing the customer of their options and rights.

In addition, listened in on phone calls that were not related to the establishment of new telephone service. The primary topics of these calls were technical problems with phone service, requests for additional services (caller ID, voicemail, call forwarding, etc.), and requests for status of in-process orders or disconnects.

9. SBC has represented that the Section 272 affiliates do not have a separate sales force and do not market exchange services on behalf of the SBC BOCs or as a reseller.

**OBJECTIVE VIII. Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which they provide such telephone exchange service and exchange access to themselves or their affiliates.**

1. The procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors' complaints are documented in Objectives V and VI, Procedure 1.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards.

- Allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (*no complaints received*)

2. Obtained the written information disclosure process that the SBC BOCs follow to collect performance data for the documentation of time intervals for processing of orders, provisioning of service, and performance of repair and maintenance services for themselves or their affiliates and for unaffiliated entities for exchange access services and presubscribed interexchange carrier (“PIC”) change orders. Attachment A-6 lists the business rules for the Section 272 (e)(1) performance measurements, as obtained from SBC. SBC represented that the Section 272 affiliates do not resell local or intraLATA toll service and do not lease any unbundled network elements (“UNEs”) from the SBC BOCs.

Noted that the written information disclosure process indicates that the 272 (e)(1) Information Disclosure Report will be produced quarterly, not later than 60 days after the close of the calendar quarter, and reports are available to interested parties upon request.

3. Obtained data tracked and maintained by the SBC BOCs during the first nine months of the Engagement Period, by month and quarter, indicating time intervals for processing of orders (for initial installation requests, subsequent requests for improvement, upgrades, or modifications of service, or repair and maintenance), provisioning of service, and performance of repair and maintenance services for themselves and their affiliates and for unaffiliated entities, as customers, for exchange access services and PIC change orders, as noted in Attachment A-7. SBC represented that the Section 272 affiliates do not resell local or intraLATA toll service and do not lease any UNEs from the SBC BOCs. In addition, noted the differences in time in fulfilling each type of request for the same services from the SBC BOCs or their affiliates and from unaffiliated entities.

4. Obtained the data tracked and maintained by SWBT during the Engagement Period in Procedure 3. Provided the results to the Joint Oversight Team. The Joint Oversight Team selected for testing: Performance Measure (“PM”) #1 (Successful Completion According to Customer Desired Due Date) for March 2001 for Oklahoma, PM #5 (Mean Time to Restore) for March 2001 for Kansas, and PM #6 (Time to Restore PIC After Trouble Report) for February 2001 and PM #7 (Mean Time to Clear Network Trouble) for November 2000 for Texas.

Obtained the raw data from SWBT for each PM selected and, using a data analysis program, recalculated selected PMs 1 and 5 without exception. PM 6 was not able to be recalculated as the supporting documentation for the selected month was no longer available. SBC represented that the supporting data used to calculate PM 6 was not retained during the period October 2000 through March 2001 as the system used to calculate PM 6 replaced the prior month data with current month data upon calculation. SBC also represented that in April 2001 SBC began using a different system to calculate PM 6 results and the underlying data is now retained. The Joint Oversight Team selected PM 7 as an alternative. Recalculated PM 7 (Mean Time to Clear Network Trouble) for Texas for the month of November 2000 and noted that measure 7 agreed without exception.

5. SBC represented that the SBC BOCs track and maintain the data as described in Procedure 2 above. Therefore, this step was not applicable.
6. Inquired and documented how the SBC BOCs make available to unaffiliated entities information regarding service intervals in providing any service to themselves or their affiliates and to unaffiliated entities. The service intervals are calculated and validated by the SBC BOCs for SBC and its affiliates and unaffiliated entities. Unaffiliated entities, Section 272 affiliates, and the FCC must contact the SBC BOCs to request service interval results for SBC and its affiliates. The results for SBC and its affiliates are provided to unaffiliated entities upon request. Unaffiliated entities may request the results from their account team contacts within the SBC BOC.

**OBJECTIVE IX. Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have made available facilities, services, or information concerning its provision of exchange access to other providers of interLATA services on the same terms and conditions as they have to their affiliate required under Section 272 that operates in the same market.**

1. The procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors’ complaints are documented in Objectives V and VI, Procedure 1.



Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards.

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<b>From SBC BOC</b>	<b>Number of BANs Listed</b>	<b>Total Invoiced Amounts for January 2001</b>	<b>Number of BANs Sampled</b>	<b>Total Sampled Invoices</b>
<b>SWBT</b>	54	<b>\$2,085,839</b>	24	\$1,635,292
<b>Ameritech</b>	181	961,905	<b>10</b>	294,087
<b>Pacific Bell</b>	11	56,032	6	880
<b>SNET</b>	5	638	1	176
<b>Total</b>	251	\$3,104,404	50	\$1,930,435

From the 50 invoices obtained above, extracted 100 different USOCs charged to the Section 272 affiliates. The USOCs selected **are** documented at Attachment A-8a. SBC produced **a** query of these USOCs with associated rates charged to the Section 272 affiliates and 10 unaffiliated carriers from the SBC BOCs' Carrier Access Billing System ("CABS") for the month of January 2001. Using the resulting data from this query, compared the rates, by USOC, state, and class of service, charged to the 10 unaffiliated carriers and the Section 272 affiliates. Differences are listed on Attachment A-8b. For the USOCs queried, 29 had comparable USOC/class of service combinations between the Section 272 affiliates and 10 unaffiliated carriers. Seven of the comparable USOC/class of service combinations billed to other carriers were billed at rates different from the rates billed to the Section 272 affiliates. SBC represented that the rate differences were due to the following reasons:

- For USOCs 1J5HS and 1L5XX, variances are due to **zone** and term differences.
- For USOCs 1OXHX, TUZPX, and 1L5XX, variances are due to volume differences.
- For USOC TMECS, variances are due to **zone** and term differences.

To test the comparability of terms and conditions offered to the Section 272 affiliates and unaffiliated carriers, the Joint Oversight Team approved a judgmental selection of invoices from 13 unaffiliated carriers to compare to the terms and conditions offered to the Section 272 affiliates and affiliated carriers. For the judgmental sample of one invoice from a different unaffiliated carrier from each of the 13 states served by SBC, compared the terms and conditions and noted no differences.

4. For the 50 invoices obtained in Procedure 3 above, attempted to trace the amount invoiced for exchange access services to each Section 272 affiliate and determine whether the amount invoiced was recorded by the SBC BOC and paid **by** the Section 272 affiliate. For 25 of the 50 invoices determined that the SBC BOCs recorded the amounts invoiced and that SBCS paid the amounts invoiced, with the exception of one invoice in which **there** was a difference of \$590.29 **between** the amount charged by the SBC BOC and the amount paid by SBCS. SBCS did not provide documentation of payment for six of the 50 invoices from Procedure 3 above, totaling \$49,568.35. SBCS represented that these invoices did not relate to the Section 272 affiliate and were improperly included in the listing of invoices obtained in Procedure 3 above.

Nineteen of the 50 invoices obtained in Procedure 3 above related to ACI. SBC provided no payment or receipt documentation, from either ACI or the SBC BOCs, relating to these BANs. SBC represented that these BANs were assigned to Williams Communications as of September 30, 2000 and after this date ACI was no longer responsible for payment of these accounts. These accounts were improperly included in the listing of invoices obtained in Procedure 3 above.

**OBJECTIVE X.** Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have charged their separate affiliate under Section 272, or imputed to themselves (if using the access for their provision of their own services), an amount for access to their telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service.

1. SBC has represented that there are no written agreements, other than tariffs, that Section 272 affiliates and other interexchange carriers (“IXCs”) have with the SBC BOCs for exchange access services. Exchange access services are offered via tariff.
2. Inquired of SBC and documented at Attachment A-9 those LATAs of the SBC BOCs that have price flexibility for interLATA interstate and interLATA intrastate access services.
3. As noted in Procedure 1 above, SBC has represented that the Section 272 affiliates and other interexchange carriers do not have written agreements other than tariffs with the SBC BOCs for exchange access services. Therefore, no testing was performed.
4. Obtained a list of five interLATA services offered by the SBC BOCs and discussed the list with the appropriate SBC representative, who indicated that the list was comprehensive. Compared the services appearing on the list with the incidental interLATA services disclosed in the SBC BOCs’ CAM and noted no differences. Compared the nonregulated incidental interLATA services listed in the SBC BOCs’ CAM with those defined as incidental in Section 271(g) of the Act and those interLATA services allowed under FCC order and noted no differences.
5. Obtained a statement of revenue, by month, of incidental interLATA services provided by the SBC BOCs for the first nine months of the Engagement Period, and performed a trend analysis. For increases of more than 10% from month to month, inquired of SBC and obtained explanations for the differences as noted below:

Table 9

<b>SWRT</b>
Service: E911
Trend: Revenues decreased from \$712,863 in August 2000 to a deficit of \$1,867,598 in September 2000. Revenues then in turn increased to \$2,087,514 in October 2000.
SBC Explanation: The fluctuations are a result of a customer credit in September 2000 and the subsequent correction in October 2000. Customer credits in September 2000 reflect the loss of a Texas customer to another provider. The credits should have been split between regulated and nonregulated revenues but were all booked to the non-regulated revenues account. The October increase reflects the adjustment to reclassify the appropriate credit amount to the nonregulated account.

<b>Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell</b>
Service: E911
Trend: Revenues increased from \$3,280,043 in July 2000 to \$3,897,885 in August 2000.
SBC Explanation: The fluctuation is a result of credits for previous over-billings in Indiana and an erroneous journal entry crediting a one-time SONET charge to the 911 product account.
Trend: Revenues increased from \$3,208,679 in September 2000 to \$6,434,984 in October 2000. Revenues increased from \$2,159,239 in November 2000 to \$3,253,488 in December 2000.
SBC Explanation: The fluctuations are a result of year to date corrections in Indiana during October 2000 for 911 revenues erroneously booked to Centrex and SONET revenues erroneously booked to 911 and subsequently reversed in November 2000.

<b>SWBT</b>
Service: National Directory Assistance
Trend: Revenues increased from \$2,613,987 in July 2000 to \$10,263,614 in August 2000. Revenues increased from \$1,275,258 in September 2000 to \$2,172,824 in October 2000 and \$2,405,035 in November 2000. Revenues increased from \$1,531,752 in December 2000 to \$2,662,115 in January 2001.
SBC Explanation: The fluctuations are due to an ongoing reclassification of National Listing Service ("NLS") revenues from local to nonregulated revenues. A year to date reclassification occurred in August 2000 causing the significant upward fluctuation in revenues.

<b>Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell</b>
Service: National Directory Assistance
Trend: Revenues increased from \$2,301,871 in August 2000 to \$2,811,871 in September 2000. Revenues increased from \$2,405,035 in November 2000 to \$2,662,115 in January 2001.
SBC Explanation: The fluctuations are a result of manual journal entries associated with wholesale listing of services. These manual journal entries are received and booked every two to three months and are not booked on a monthly basis. In this SBC has represented that for any usage charge, month-to-month swings are considered normal. However, in the case of the wholesale market, these fluctuations are more pronounced.

<b>Pacific Bell</b>
Service: National Directory Assistance
Trend: Revenues increased from \$1,744,399 in July 2000 to \$2,102,566 in August 2000. Revenues increased from \$1,634,913 in December 2000 to \$2,102,566 in January 2001.
SBC Explanation: The fluctuations are a result of a mechanized accrual and reversal

process, embedded in the billing system, for unbilled usage. This process is used to associate the billing with the same month as the usage (e.g., January usage billed in February is treated as revenues earned in January). In addition, a price increase took effect in January 2001.

#### **SWBT**

**Service:** SS7 Signaling (Line Information Data Bases (“LIDB), Calling Name (“CNAM’), etc.)

**Trend:** Revenues increased from \$356,920 in September 2000 to \$6,312,727 in October 2000. Revenues increased from a deficit of \$253,789 in November 2000 to \$1,783,146 in December 2000 and to \$2,391,075 in January 2001. Revenues increased from \$80,613 in February 2001 to \$1,686,849 in March 2001.

**SBC Explanation:** The fluctuations are a result of SBC’s migration of LIDB and CNAM billing from both the mechanized and manual Pacific Bell billing systems to the SWBT mechanized billing system. The fluctuations are a result of billing errors, and subsequent corrections, associated with this billing change. The SWBT billing system not only billed the Pacific Bell customers but also billed Pacific Bell for service. In addition, fine-tuning the transition from manual billing to mechanized billing caused considerable “out of period” billing.

#### **Pacific Bell**

**Service:** SS7 Signaling (LIDB, CNAM, etc.)

**Trend:** Revenues increased from \$225,693 in August 2000 to \$983,375 in September 2000. Revenues increased from \$332,181 in October 2000 to \$3,707,965 in November 2000.

**SBC Explanation:** The fluctuations are a result of SBC’s migration of LIDB and CNAM billing from both the mechanized and manual Pacific Bell billing systems to the SWBT mechanized billing system. The fluctuations are a result of billing errors, and subsequent corrections, associated with this billing change. The SWBT billing system *not* only billed the Pacific Bell customers but also billed Pacific Bell for service. In addition, fine-tuning the transition from manual billing to mechanized billing caused considerable “out of period” billing.

6. From the list of services obtained in Procedure 4 above, selected one interLATA service offered by the BOCs and not **through** an affiliate. The service selected was National Directory Assistance. Obtained an analysis prepared by the BOCs used to calculate the amount the BOCs have imputed (charged) to themselves for access, switching, and transport. Obtained usage details, rates imputed and tariff rates for each item in the analysis. Compared the rates imputed to the tariff rates and noted no differences. Traced the amounts imputed by the BOCs to the general ledger and noted that the entry was a debit to nonregulated operating revenues (decrease) and a credit to regulated revenues (increase).

7. For exchange access services and local exchange services, documented, in the table below, the total amount that the Section 272 affiliates recorded on their books and compared it to the total amount that the Section 272 affiliates paid to the SBC BOCs for these services and to the amount of corresponding revenue reflected in the SBC BOCs' books during the nine months ended March 31, 2001. SBC represented that the Section 272 affiliates purchased no unbundled network elements from the SBC BOCs during the Engagement Period. Noted, through inquiry, that SBCS purchased local exchange service from Pacific Bell and SWBT and exchange access service from SWBT, Pacific Bell, Illinois Bell, Indiana Bell, and Michigan Bell. ACI purchased both exchange access and local exchange service from Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell, and Wisconsin Bell and exchange access service from SWBT.

Table 10

<b>For the Nine Months Ended March 31, 2001</b>	<b>SBCS Exchange Access Service</b>	<b>SBCS Local Exchange Service from Pacific Bell</b>	<b>SBCS Local Exchange Service from SWBT</b>	<b>ACI Exchange Access Service</b>	<b>ACI Local Exchange Service</b>
Amount recorded on books of Section 272 affiliate	\$14,718,835	\$420,026	\$33,919	\$5,089,865	\$619,791
Amount paid by Section 272 affiliate to SBC BOCs	11,654,368	420,026	28,973	4,545,256	619,791
Amount of corresponding revenue recorded by SBC BOCs	14,415,927	418,828	23,411	4,566,772	380,675 <sup>6</sup>

SBC represented that all of ACI's exchange access service and local exchange service were transferred to Williams Communications on October 1, 2000 and most of the ACI differences noted above are due to the SBC BOCs' continuing to record after October 1, 2000 as ACI revenue instead of revenue from Williams Communications.

SBC represented that differences between the Section 272 affiliates' recorded amounts and the SBC BOCs' recorded amounts *are* also due to the Section 272 affiliates' including tax amounts in their totals, while tax amounts are excluded from the SBC BOC

<sup>6</sup> SBC represented that the recorded amount of SBC BOC local service revenue included amounts from ACI for the period August 2000 through March 2001 as July 2000 detail revenue amounts were no longer available.

amounts, and timing differences, such as when the SBC BOC records revenue in one month while the affiliate pays the bill and records the expense in a subsequent month. SBC also represented that amounts under dispute from SBCS for exchange access service from the SBC BOCs total \$2,964,768.

**OBJECTIVE XI. Determine whether or not the BOCs and an affiliate subject to Section 251(c) of the Act have provided any interLATA facilities or services to their interLATA affiliate and made available such services or facilities to all carriers at the same rates and on the same terms and conditions, and allocated the associated costs appropriately.**

1. The procedures used by the SBC BOCs to identify, track, respond to, and take corrective action to competitors' complaints are documented in Objectives V and VI, Procedure 1.

Obtained from the SBC BOCs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716; and any written complaints made to a state regulatory commission from competitors filed during the first nine months of the Engagement Period involving alleged noncompliance with the Section 272 Requirements, including complaints submitted by competitors related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards. Noted three complaints filed during the Engagement Period. Of the three complaints filed during the first nine months of the Engagement Period, noted that two complaints were resolved while one remained open and under investigation.

- Allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliates (*three* complaints received)
  1. On September 22, 2000, AT&T Communications of Texas, L.P. filed a complaint with the Public Utility Commission of Texas alleging that the long distance rates offered in Texas by SBCS did not cover its own operating expenses, and thus were being subsidized by SWBT. The Public Utility Commission of Texas has scheduled a hearing regarding this complaint on December 17, 2001.
  2. On April 27, 2001, AT&T Communications of the Southwest, Inc. filed testimony in SBCS's application with the Oklahoma Corporation Commission ("OCC") to determine if its interexchange services are subject to effective competition, alleging that SBCS had a competitive advantage over other IXCs since SWBT's access charges were not based on costs. On June 12, 2001, the OCC issued an order in SBCS's favor determining that SBCS was subject to effective competition.

3. On March 6, 2001, AT&T Communications of the Southwest, Inc. filed an emergency motion in SBCS's tariff approval docket pending with the Kansas Corporation Commission, alleging that SBCS's rates were unlawful, unduly, preferential, and anti-competitive. On May 15, 2001, an agreement was reached between SWBT, AT&T, and others that reduced SWBT's intrastate access rates to parity with SWBT's interstate access rates, and AT&T agreed to withdraw its complaints in SBCS's tariff proceedings.
2. SBC represented that there is not a list of interLATA network services and facilities with their related rates offered by the SBC BOCs to the Section 272 affiliates. All rates charged to the Section 272 affiliates and unaffiliated carriers for interLATA network services and facilities are tariffed rates and are publicly available on the Internet. Obtained a list of tariffs showing rate information for the interLATA network services and facilities offered by the SBC BOCs to the Section 272 affiliates.

Obtained invoices for interLATA network services and facilities for one month rendered by the SBC BOCs to the Section 272 affiliates and other IXC's that received services from the SBC BOCs. The Joint Oversight Team, after discussions with SBC, selected November 5, 2000 billings to SBCS and one unaffiliated carrier for testing.

3. The November 5, 2000 billings to SBCS and the unaffiliated carrier included one invoice each. Inspected underlying details of the invoice to SBCS and the invoice to the unaffiliated carrier and compared rates charged and applied to SBCS and the unaffiliated carrier and noted that there was only one USOC that resulted in charged amounts. This USOC was detailed in four instances on each invoice. Compared each instance noting no variance among the invoices.

SBC represented that the USOC PT8JX is for a Dedicated End Office Trunk in SWBT FCC Tariff 73 Page 6-185. The rate listed in the tariff was \$18.00. Both SBCS and the unaffiliated carrier were charged the \$18.00 rate for this USOC on the November 2000 invoice. No rate difference was noted.

The remaining USOCs detailed on each invoice were the same, each with no charge denoted. Additionally, noted the basic monthly access charge for SBCS was \$828.00, 46 units at \$18.00 each, with an additional tax of \$81.93 for federal taxes and local state tax (Kansas); this brings SBCS's monthly access charge to a total of approximately \$910.00. The basic monthly access charge for the unaffiliated carrier was \$864.00, 48 units at \$18.00 each; noted a tax-exempt status per the unaffiliated carrier's invoice detail. SBC represented that the variance in the total monthly access charge between SBCS and the unaffiliated carrier is due to the unaffiliated carrier ordering two more services and the unaffiliated carrier's tax-exempt status.



Noted that the terms and conditions detailed on the bills to SBCS and the unaffiliated carrier were the same.

SBC represented that ACI did not receive interLATA services from the SBC BOCs during the Engagement Period.

4. Using the invoices obtained in Procedure 3 above, traced the amount invoiced to the Section 272 affiliate for interLATA facilities and services and determined the amount invoiced was the amount recorded by the SBC BOC and paid by the Section 272 affiliate. For this purpose, obtained screen prints from SBCS's accounting system that detailed customer account and payment history. Additionally, obtained screen prints from the SBC BOC that showed the amount booked as revenue. Additionally, agreed the dollar amount per the SBC BOC accounting system to the payment amount per SBCS's accounting system. Obtained the voucher payment support from SBCS for the payment made. Documentation obtained from SWBT indicated that SBCS paid the November 5, 2000 invoice on January 17, 2001. Obtained copies of SBCS's December 5, 2000 invoice from SWBT for this account and noted that late fees related to the unpaid balance from the November 5, 2000 invoice were charged to SBCS on the December 1 invoice from SWBT.

In addition to the procedures discussed above, SBC made the following representations regarding compliance with the Section 272 Requirements:

- In an **Ex Parte** letter to the FCC dated August 8, 2000, SBC disclosed the circumstances leading to a delay in compliance with the nondiscriminatory requirements under Section 272 (c)(1) related to Ameritech's offering of in-region nonlocal directory assistance.
- SBC represented that disclosure was made to the FCC on September 29, 2000 regarding Pacific Bell's provision of interLATA foreign exchange service to approximately **30** customers in California. SBC represented that this results from the customers claiming that Pacific Bell has a grandfathered obligation to provide service across the LATA boundary. This claim is currently under review by the California Public Utilities Commission.